

City of Bloomington Utilities Department

2004 Budget Overview

OVERVIEW 2004 BUDGET

General Information

The Budget information is presented in a format that follows the account numbers and cost centers in our financial system. The account numbers and cost centers in this report are consistent and make it easy to analyze the cost of various functions of the Utilities operation through time.

In general for the 2004 budgets it was assumed that inflation would be around 2.0%. We anticipate a major increase in electrical power supplied by CINERGY. The annual increase is expected to be around 14% and will begin during the second quarter of the year. The budgeted amounts for insurance have also been substantially increased because of the increasing cost of coverage.

Utilities Salaries

We are very pleased that a five year contract between Local 2487 CBME, American Federation of State, County and Municipal Employees AFSCME and the City has been successfully negotiated. The agreement will provide for approximately a 19.3% increase over the term of the contract. This agreement will provide for long term stability for the Utility and our employees. Additional information on the contract can be found at the end of the budget.

In accordance with the Work Agreement and Memorandum of Understanding union employees will receive an average increase of \$0.75 per hour January 1, 2004. Certification and plant operator rates were also increased. Wages for Union employees will also be adjusted to reflect changes caused by longevity steps in the pay plan.

Salaried and non-union hourly employees will receive an average increase of 2.89%.

Revenue Requirements

Revenues required to provide for the continued operation of the Utility must be sufficient to meet the cash requirements for operation and maintenance expense, payment of in-lieu-of-taxes, principal and interest payments on bonded debt, routine annual extensions and replacements, and other capital expenditures not debt financed. In addition, revenues must be adequate to meet applicable rate covenants included in the City's ordinances authorizing the outstanding revenue bonds.

Operation and Maintenance Expense

The operation and maintenance expenses of the Utility include the cost of operating and maintaining the treatment plants, transmission, distribution and collection facilities. Expenses also include costs incurred in meter reading, issuing and collecting bills, providing engineering

services, and the general administration of the Utility. Because these costs are a continuing normal obligation of the utility, they are met from operating revenue as they are incurred.

Debt Service

The Utility's capital improvement programs provide for the replacement of worn out or unserviceable facilities, provide new facilities for improved service to existing customers, and to provide a reliable water transmission system, and wastewater and stormwater collection systems. These projects are generally financed through the issue of bonds.

Extensions and Replacements.

This includes the costs of smaller capital improvements and additions that are funded from operating revenues. Also included is vehicle and equipment replacements.

Water Utility General Information

The City of Bloomington operates and maintains the Water Utility as a self-supporting enterprise. The Water Utility provides services to approximately 22,800 customers including residential, commercial, industrial, and fire protection accounts. In addition, the utility provides water through contractual agreements with several water districts.

Water is provided by the Monroe Water Plant. Built in the mid 60s it has a capacity of 24 MGD and treats about 5 Billion Gallons per Year.

The water distribution system consists of about 358 miles of pipe, 8 storage tanks holding 20 MG, 5 Booster Stations, and 2,300 fire hydrants.

Water Utility Revenues

The majority of the Water Utility's revenue is derived from rates and charges for water service. Other income sources include revenues from private fire protection, penalties, delinquent reconnect fees, hook-on fees, turn-on fees, revenue from contract work, and other miscellaneous fees.

Water Capital Improvement Program

The Water Capital Improvement Program is an aggressive and necessary program to provide major Water Utility capital improvements to assure that our customers' existing and future water needs are met, and extend the life of our treatment capacity. The program includes major improvements at the Monroe Treatment Plant that should begin later this year.

Part of any improvement plan requires that we provide CBU customers with a long range plan for improving and expanding our water treatment facilities and distribution system. This plan is the

basis for the design, construction, and financing of improvements needed to meet customer demand.

This long range plan is available for review on the city web site at <http://www.city.bloomington.in.us/utilities/>. In November of this year we will begin a series of public meetings to discuss the findings of this report and develop a plan of action.

A summary of the Water CIP programs is included in the budget packet.

Water Budget Overview

	2003 Budget	2003 Projection	2004 Budget	% Change 2004 Bud/ 2003 Bud	2004 Bud \$ Less 2003 Bud \$	% Change 2003 Bud/ 2002 Proj	2004 Bud \$ Less 2003 Proj \$
Service Charges	8,839,200	8,476,977	8,734,070	-1.2%	-105,130	3.0%	257,093
Interest Income	25,000	10,000	25,500	2.0%	500	155.0%	15,500
Other	541,120	712,723	550,230	1.7%	9,110	-22.8%	-162,493
Total Income	9,405,320	9,199,700	9,309,800	-1.0%	-95,520	1.2%	110,100
O & M Expense	5,997,940	5,999,310	6,286,480	4.6%	288,540	4.8%	287,170
Debt Service							
Existing	1,273,100	1,608,000	2,107,300	39.6%	834,200	31.1%	499,300
New							
Total Debt	1,273,100	1,608,000	2,107,300	39.6%	834,200	31.1%	499,300
Extensions & Replacements	1,200,000	1,200,000	1,200,000				
Total Expenses	8,471,040	8,807,310	9,593,780	11.7%	1,122,740	8.9%	786,470

The Operations and Maintenance Budget request is impacted by increased costs for power, wages, insurance, and a \$80,000 stormwater service charge for the Griffy property.

Debt service increases are for State Revolving Fund loans starting for improvements being made at the Monroe Water Treatment Plant.

Wastewater Utility General Information

The City of Bloomington operates and maintains the Wastewater Utility as a self-supporting enterprise. The Wastewater Utility serves about 18,960 customers including residential, commercial, and industrial accounts.

The wastewater Utility has two wastewater plants. Blucher Poole WWTP was built in 1968 and upgraded in 1998. It has a capacity of 5 MGD and currently treats about 4 MGD. Dillman WWTP was built in 1982 and upgraded 2002. It has a capacity of 15 MGD and currently treats about 12 MGD.

The wastewater collection system consists of about 301 miles of pipe, and 43 lift stations.

Wastewater Utility Revenues

The majority of the Wastewater Utility's revenue is derived from rates and charges for sewer service. Other sources of income for the Wastewater Utility include penalties, septage dumping fees, connection fees, lab fees, interest, and other miscellaneous fees.

Wastewater Budget Overview

	2003 Budget	2003 Projection	2004 Budget	% Change 2004 Bud/ 2003 Bud	2004 Bud \$ Less 2003 Bud \$	% Change 2003 Bud/ 2002 Proj	2004 Bud Less 2003 Proj
Measured Revenue	10,605,890	10,549,500	10,993,000	3.5%	387,110	4.2%	443,500
Interest Income	177,990	44,000	30,000	-493.3%	-147,990	-31.8%	-14,000
Other	529,990	534,079	550,100	3.7%	20,110	3.0%	16,021
Total Income	11,313,870	11,127,579	11,573,100	2.2%	259,230	4.0%	445,521
O & M Expense	7,162,820	7,184,435	7,414,090	3.4%	251,270	3.2%	229,655
Debt Service							
Existing	3,414,000	2,959,700	2,949,300	-15.8%	-464,700	-0.4%	-10,400
New		24,000	121,600				
Total Debt Service	3,414,000	2,983,700	3,070,900	-11.2%	-343,100	2.9%	87,200
Extensions & Replacemen	1,553,650	1,211,000	1,400,000	-11.0%	-153,650	15.6%	189,000
Total Expense	12,130,470	11,379,135	11,884,990	-2.1%	-245,480	4.4%	505,855

The Operations and Maintenance Budget request is impacted by increased cost for power, wages, and insurance.

Wastewater Capital Improvement Program

The main focus of the wastewater CIP is the implementation of our wet weather program and continued improvements to the treatment plants and collection system. An overview of Wet Weather Program and the Wastewater CIP can be found at the end of the budget.

Stormwater General Information

In September of 1998 the duties for the operation and maintenance of the stormwater collection system were transferred to the Wastewater Utility. It is a self-supporting enterprise serving about 17,000 customers all within the City limits.

The stormwater collection system consists of about 70 miles of road side ditches, open channels and natural streams, 100 miles of small diameter collection pipes with inlets, and 25 miles of

large diameter culverts and tunnels. One lift station at the 3rd Street underpass is maintained by the Utility.

Stormwater Revenues

The majority of the Stormwater revenue is derived from rates and charges for service with a small amount of interest earnings. The service fees are determined by the amount of runoff that is generated by the customer.

The 2004 revenue reflects additional income for properties that have recently been identified as existing unbilled customers within the service areas. Also revenue has been reduced to reflect stormwater credits.

Stormwater Budget Overview

	2,003 Budget	2,003 Projection	2,004 Budget	% Change 2004 Bud/ 2003 Bud	2004 Bud \$ Less 2003 Bud \$	% Change 2003 Bud/ 2002 Proj	2004 Bud \$ Less 2003 Proj \$
Measured Revenue	1,103,440	1,208,200	1,372,300	19.6%	268,860	13.6%	164,100
Interest Income	10,000	6,600	17,600	43.2%	7,600	166.7%	11,000
Total Income	1,113,440	1,214,800	1,389,900	19.9%	276,460	14.4%	175,100
O & M Expense	382,980	387,460	390,000	1.8%	7,020	0.7%	2,540
Debt Service							
Existing	574,000	249,600	248,300	-1	-325,700	0	-1,300
New		35,500	221,300		221,300		185,800
Total Debt	574,000	285,100	469,600	0	-104,400	1	184,500
Extensions & Replaceme	195,000	300,000	350,000	44.3%	155,000	16.7%	50,000
Total Expense	1,151,980	972,560	1,209,600	4.8%	57,620	24.4%	237,040

Stormwater Capital Improvement Program

The Stormwater CIP will continue to focus on the largest and oldest parts of our conveyance system.

Rate Adjustments

As a part of normal operation, the Utility reviews its rates on an annual basis to assure that adequate funds are available to serve the needs of our customers. These reviews take into consideration future revenues under existing rates, operation and maintenance expense, principal and interest expense on bonded debt, and capital improvement requirements. Annual projections of customers, usage, revenues, and expenditures have been made for December 31, 2003 through

2007. To avoid large increases the Utilities Service Board policy is to seek adjustments on a regular basis.

This revenue indicates that rate increases are necessary for the Wastewater and Stormwater Utilities to finance operation and capital improvement programs.

We are requesting that the wastewater and stormwater fees be adjusted this year to become effective in October 2003. The average increase for a typical residential customer will be about \$.83 per month for wastewater and \$.35 for stormwater.

Because of the need to review the Water Long Range Plan, I am recommending that any decisions concerning water rates be delayed until careful consideration of this plan is completed.

Appropriation Ordinance

The Budget Report begins with the Appropriation Ordinance for the Water and Wastewater Utilities.

Expense Summary and Detail

The following sections contain the backup material that is used to build the Budget. This includes historical and projected income, and operation expenses.

Actual income and expenses for the years 2000 through 2002 are shown, and comparisons between 2003 budgeted and 2003 projected income and expenses, versus 2004 budgeted amounts are presented.

The expenses are shown as a summary, and by each Department.

Additional Information

The Budget Report concludes with information on Infrastructure Investment Credit policies, and the vehicle replacement schedule.

pages 7-9 left blank

APPROPRIATION ORDINANCE NO. 03-08

An Ordinance Adopting a Budget for the Operation, Maintenance, Debt Service and Capital Improvements for the Water and Wastewater Utility Departments of the City of Bloomington, Indiana.

Be It Ordained by the Common Council of the City of Bloomington, Indiana.

SECTION 1. That there be and hereby is appropriated from the Water Utility Fund of said City for the year 2004, the following sums:

Projected Revenues for the Water Utility are:

Metered Sales to Customers	\$ 8,734,070	
Interest Income	25,500	
Other Income	550,230	
Total Projected Revenues		<u>\$ 9,309,800</u>

Operation & Maintenance Expenses

Administrative & General Expense	\$ 1,235,350	
Interdepartmental Funding Agreement	249,990	
In Lieu of Taxes	185,600	\$ 1,670,940
Customer Accounting Expense		1,073,600
Source of Supply Maintenance Expense	122,880	
Source of Supply Operation Expense	548,380	671,260
Transmission & Dist. Maintenance Expense	421,235	
Transmission & Dist. Operation Expense	1,218,325	1,639,560
Treatment Maintenance Expense	111,198	
Treatment Operation Expense	1,119,922	1,231,120
Total Operation & Maintenance Expense		\$ 6,286,480

Capital and Interest Expenses

Debt Service & Existing Obligations	\$ 2,107,300	
Total Capital and Interest Expense		\$ 2,107,300

Extensions and Replacements

Contingencies	\$ 60,000	
Motorized Equipment	235,000	
GIS	50,000	
Office & Building	125,000	
Plant Improvements	100,000	
System Improvements	600,000	
Infrastructure Investment Credits	30,000	
Total Extensions and Replacements		<u>\$ 1,200,000</u>

Total Water Utility Budget		<u>\$ 9,593,780</u>
----------------------------	--	---------------------

SECTION 2. That there be and hereby is appropriated from the Wastewater Utility Fund of said City for the year 2004, the following sums:

Projected Revenues for the Wastewater Utility are:

Sewer Service Charges	\$11,100,000	
Stormwater Service charges	1,372,300	
Property Rental to Civil City	0	
Interest Income Sewer	30,000	
Interest Income Stormwater	17,600	
Other Income	550,100	
Total Projected Revenue		<u>\$13,070,000</u>

Operation & Maintenance Expenses

Administrative & General Expense	\$ 1,721,090	
Interdepartmental Funding Agreement	275,630	
In Lieu of Taxes	184,280	\$ 2,181,000
Collection System Expense	852,170	
Collection System Storm	390,000	1,242,170
Customer Accounting Expense		628,730
Pumping Maintenance	64,480	
Pumping Operation	919,230	983,710
Treatment Maintenance	25,610	
Treatment Operation	2,742,870	2,768,480
Total Operation & Maintenance Expense		\$ 7,804,090

Sinking Fund

Wastewater Debt Service & Existing Obligations	\$ 2,949,300	
Storm water Debt Service & Existing Obligations	449,100	
Total Appropriations from Sinking Fund		\$ 3,398,400

Extensions and Replacements

Contingencies	\$ 60,000	
Motorized Equipment	700,000	
Lab, Office & Building	140,000	
GIS	50,000	
Plant Improvements	110,000	
System Improvements	340,000	
Stormwater	350,000	
Infrastructure Investment Credits	0	
Total Appropriations from Depreciation Fund		<u>\$ 1,750,000</u>
Total Wastewater Utility Budget		<u>\$12,952,490</u>

PASSED AND ADOPTED by the Common Council of the City of Bloomington, Indiana, this
_____ day of _____ 2003

_____, President

ATTEST:

_____, City Clerk

PRESENTED by me to the Mayor of the City of Bloomington upon the _____ day of
_____, 2003 at the hour of _____ o'clock, __m.

Regina Moore, City Clerk

THIS ORDINANCE was approved and signed by me on this _____ day of
_____, 2003 at the hour of _____ o'clock, __m.

John Fernandez, Mayor

SYNOPSIS

This ordinance, approved by the Utilities Service Board in August, 2003, sets the water and wastewater budgets for 2004.